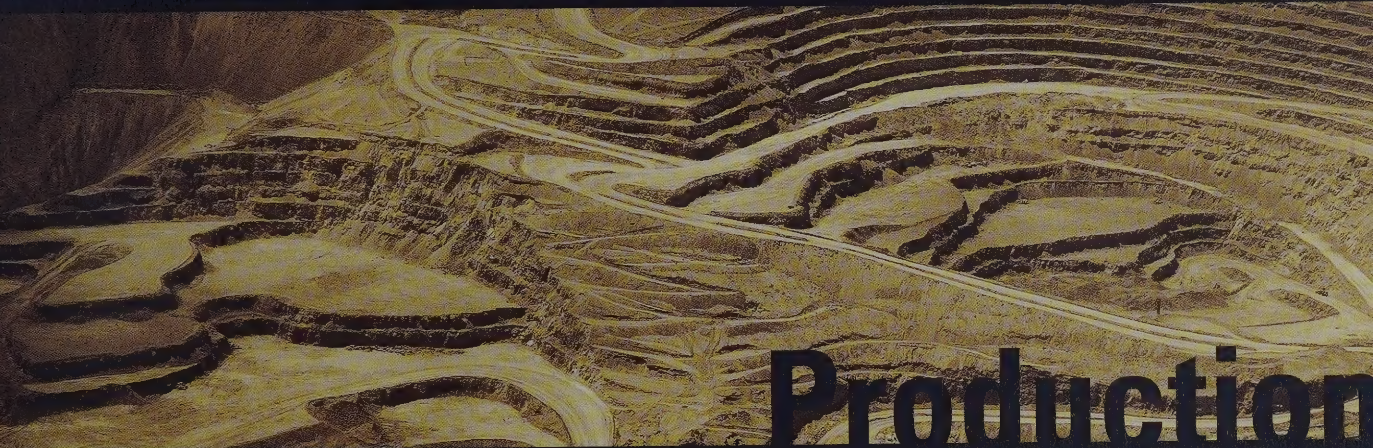
Annual Report 1998



Production

Development

BEMA GOLD CORPORATION

Corporate Profile

Bema Gold Corporation is a junior gold producer with an extraordinary exploration track record and the proven ability to develop gold deposits to production. With its existing large reserve and resource base and proven capability to finance its development projects, Bema is very well positioned to provide substantial growth for its shareholders.

The Company is 50% owner of the Refugio Mine in Chile, one of the largest open pit, heap leach gold mines in the world.

The Company, either directly or through its affiliates, has three key gold projects at various stages of development. Two of these projects, Lo Increible in Venezuela, which is through the pre-feasibility stage, and Julietta in Magadan, Russia, which is through the feasibility stage, indicate strong economics even at the current low gold prices. Bema's largest undeveloped project, in which it has a 32% direct and indirect interest, located 30 kilometres south of the Refugio Mine is the Aldebaran Property, where Placer Dome is earning a 51% interest in the project by advancing it to construction. Placer Dome has increased the measured and indicated resource at the Cerro Casale deposit on the Aldebaran property to 21.7 million ounces of gold and 5.5 billion pounds of copper and is planning to expend $18 million in 1999 on further exploration and feasibility work.

Bema, its affiliates and its partners plan to spend approximately $25 million in 1999 to advance its properties with the majority of expenditures on Cerro Casale. Bema intends to commit funds to Lo Increible and Julietta in 1999 to ensure their advancement.

Bema is based in Vancouver, British Columbia, Canada. The Company's common shares are traded on The Toronto Stock Exchange, the Vancouver Stock Exchange and the American Stock Exchange under the symbol BGO.

(All dollar amounts are in U.S. unless otherwise stated.)

Contents

1998 Highlights

- ***Refugio Mine*** production improved significantly in the fourth quarter
- ***Aldebaran Project***, Placer Dome expended $27.3 million on exploration and feasibility work
- High grade ***Julietta Project*** in Russia acquired
- $20 million equity financing
- ***Lo Increible*** prefeasibility study completed. Indicates strong project economics at current gold prices.
- Strong gold hedge position

1999 Objectives

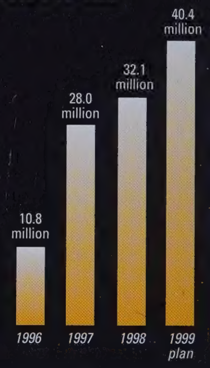
- Continue to improve Refugio mine production
- Commence final feasibility work on the Lo Increible deposit
- Arrange financing for construction of the Julietta Project
- Advance the Aldebaran property by working with Placer Dome to complete the Cerro Casale deposit final feasibility study and continue exploration on other targets
- Maintain a strong cash position
- Pursue strategic acquisitions
- Continue exploration programs through affiliated companies

Financial Highlights

(in 000's)	*1998*	*1997*
Revenue	$ 32,120	$ 27,991
Net (loss)	$ (46,127)	$ (5,871)
Cash from (to) operations	$ (4,305)	$ 2,033
Cash	$ 13,504	$ 24,336
Working capital	$ 17,429	$ 33,223
Total assets	$200,487	$215,994
Long-term debt	$ 20,000	$ 25,754
Shareholders' equity	$158,761	$165,141

Gold Production
(in ounces)

Gold Revenue



Overview

Ore Reserves and Resources
December 31, 1998

	ownership	tonnes (000's)	gold grade (g/t)	silver grade (g/t)	contained ounces gold (000's)	contained ounces silver (000's)	copper grade %	contained copper (000's lbs.)
Proven and Probable Reserves *								
Refugio, Chile	50%	38,286	0.92		1,126			
Julietta, Russia	79%	425	24.66	407	337	5,573		
Yarnell, USA	100%	6,500	1.27		265			
Lo Increible, Venezuela	27%	1,410	3.02		137			
Total Proven and Probable Reserves					1,865	5,573		
Possible Reserves *								
Refugio, Chile	50%	3,029	0.98		95			
Julietta, Russia	79%	475	15.93	278	243	4,241		
Lo Increible, Venezuela	27%	1,682	3.25		176			
Total Possible Reserves					514	4,241		
Total Reserves					*2,379*	*9,814*		
Resources (excluding reserves)								
Refugio, Chile	50%	118,152	0.82		3,104			
Aldebaran, Chile	32%							
Cerro Casale		378,560	0.71		8,641		0.26%	2,170,284
Eva		16,640	0.70		384			
Cerro Roman		33,800	0.69		736			
Lo Increible, Venezuela	27%	3,497	3.3		371			
Total Resources					13,236			2,170,284
Total Reserves and Resources					*15,615*	*9,814*		*2,170,284*

* Based on $325/ounce of gold

My fellow shareholders,

While 1998 was another difficult year for the gold mining industry with low gold prices and weak gold equity markets, at Bema we significantly advanced a number of the Company's assets and made an important acquisition, while remaining in a strong cash position. As we look toward 1999 and beyond, Bema is well positioned for continued growth as a gold producer.

At the Company's 50% owned Refugio Mine in Northern Chile, 1998 was a disappointing year that ended on a positive note. While gold production was 10% higher than 1997, it was well below projection and operating cash costs for the year were an unacceptable $305 per ounce. Mechanical failures, mainly resulting from poor construction, continued to plague the operations, particularly in the second and third quarters. During the fourth quarter of 1998 the numerous mechanical improvements made over the previous 18 months began to pay off and production improved significantly with 48,700 ounces produced from the mine at operating cash costs of $246 per ounce.

Bema and joint venture partner Kinross Gold Corporation remain committed to continuing the optimization of Refugio. In 1999 we are projecting gold production for the mine at 210,000 ounces of gold with operating cash costs of approximately $240 per ounce. First quarter production has exceeded expectations with the mine producing 52,850 ounces of gold at an operating cash cost of $239 per ounce.

At the Aldebaran Property in Northern Chile, joint venture partner Placer Dome continued toward earning a 51% interest by expending $27.3 million on exploration and feasibility work. Based on further drilling at the huge Cerro Casale deposit, Placer released an updated measured and indicated geological resource that demonstrated a 2 million ounce increase over Bema's previous measured and indicated resource, with the deposit still remaining

During 1998, we significantly advanced a number of the Company's assets and made an important acquisition, while remaining in a strong cash position.

open. During 1999 Placer has budgeted a further $18 million for exploration and feasibility work and is on schedule to complete the final feasibility study by February 2000.

These expenditures by Placer in 1998 and 1999, which will bring Placer's total investment to $65 million, clearly demonstrate their belief that the Cerro Casale deposit has the potential to become a world class gold copper mine. For Bema the benefits of having one of the leading gold producers in the world advancing one of our major assets in the current marketplace are immeasurable.

During 1998 the Company, through its affiliate El Callao Mining Corp., continued the successful exploration of the Lo Increible Property in Venezuela. A Pre-Feasibility Study carried out during the year calculated the project contains over 1 million ounces of gold exploitable by open pit mining and concluded Lo Increible could be developed as a low cost gold producer. The project economics are robust with an Internal Rate of Return for the project of 20% at $300 gold. During 1999 the Company intends to commence a Final Feasibility Study on the Lo Increible Project.

In June of 1998 the Company acquired, through a corporate arrangement, a 79% interest in the Julietta Project in far eastern Russia. The property contains a reserve of over 1 million ounces gold equivalent with grades averaging 20 grams of gold per tonne and 340 grams of silver per tonne. An independent feasibility study has been completed on the property concluding that, even at today's gold and silver prices, the project can be developed as a profitable low cost producer.

In the second quarter of the year Bema received commitments for $60 million of debt from two senior lenders to finance mine construction at Julietta and began road construction work. Unfortunately, the financial collapse in Russia during July and August 1998 caused one of the lenders to withdraw their commitment to finance Julietta's construction. For the remainder of the year, further engineering optimization studies were carried out. In 1999 we will continue to pursue project financing, based on our belief that Julietta is an excellent asset that can be developed as a low cost mine and a strong source of cash flow even in today's poor metals markets.

On the financial front I am pleased to report that we remained in a strong position in 1998. In revenue terms our strong hedging position meant that while the spot gold price averaged a dismal $294 per ounce, we realized an average price of $393 generating revenues from hedging of $8 million. Similarly we are well hedged for 1999. If the spot gold price averages $300 per ounce in 1999 we will realize approximately $385 per ounce, gaining $9 million.

In terms of working capital and cash, we also remained in a strong position in 1998. By year end we had $17 million in working capital and $14 million in cash. This was a result in part of a timely equity financing in April that realized $20 million.

While management believes that gold is cyclical and therefore will ultimately recover from the current low prices, like most gold producers, we re-evaluated our producing asset, the Refugio Mine based on lower gold prices. This resulted in our decision to take a $30 million write-down on the carrying value of the mine.

During the year, the Company was pleased to appoint Mr. Thomas I.A. Allen, Q.C. and Mr. Cole McFarland to the Company's Board of Directors. Mr. Allen is a senior partner at Ogilvy Renault in Toronto, practicing securities law, arbitration and mediation. Mr. McFarland has enjoyed a distinguished career over 35 years as a mining engineer and executive with the Placer Dome Group of Companies, retiring from his position as President of Placer Dome U.S. in 1995.

Plans for 1999

Our goals in 1999 are to continue to advance the Company's assets while remaining in a strong cash position. We are projecting a continued improvement in gold production at the Refugio Mine. At Aldebaran, Placer Dome will expend $18 million during 1999, continuing exploration work and completing a Final Feasibility Study. We intend to continue to advance the Lo Increible Project in Venezuela by commencing Final Feasibility work during the year and we will pursue project financing for the high grade Julietta gold and silver deposit in far eastern Russia. With these two projects, Lo Increible and Julietta with their high grade and low projected operating costs, we have two assets that show strong economic returns, even with the gold price in the $300 range. We will remain focused on advancing these assets to production.

While the Cerro Casale deposit will need higher than current metal prices to be economic, it is our strategic belief that projects like Cerro Casale should be advanced to the Final Feasibility stage in weak markets so that as the markets recover, the project is ready to be financed and built. Fortunately, our agreement with Placer Dome will ensure that the project continues to be advanced with no requirement for funding from Bema.

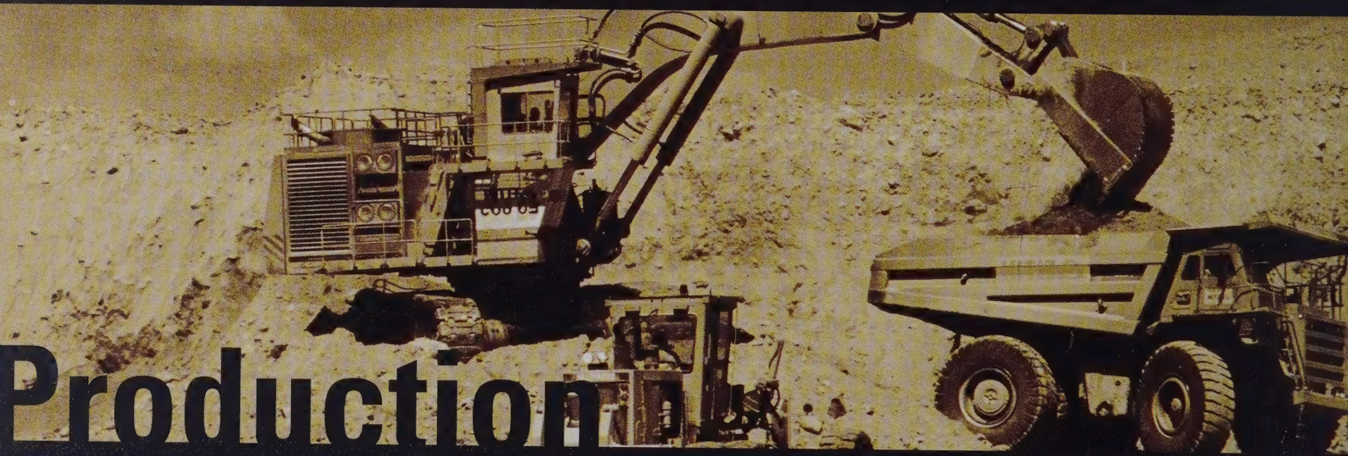
While Bema has development projects with the potential to yield annual production growth at current gold prices, our huge resource base leaves us extremely well leveraged to higher gold prices. It is interesting to note that if gold returns to historical average prices ($350-$375 per ounce), Bema's gold reserves should increase from 2.4 million ounces (at $325 per ounce gold) to 10 million ounces as the Cerro Casale and Verde deep resources become reserves.

In conclusion, while 1998 was another difficult year for gold producers and a frustrating year for our shareholders in terms of market valuation, significant progress has been made. We have improved gold production at the Refugio Mine, advanced our exploration and development projects, acquired the high grade Julietta Project and raised a further $20 million in equity. Because it is impossible to predict when gold prices will recover, our mandate is to ensure we remain in a strong cash position while continuing to advance our projects to production. This strategy will ensure your company remains firmly on the path of strong growth as a gold producer.

On behalf of the Board of Directors, I would like to thank our talented group of employees for their superior efforts and our shareholders for their patience and support.

Clive T. Johnson

Chairman, Chief Executive Officer and President



Production

Production Overview

Bema's producing asset is the 50% owned Refugio Mine in Chile, which achieved commercial production on October 1,1996. The Company is in a good position to add to Refugio's production with two projects, directly or indirectly owned, that have the potential to be developed over the next few years even in the current period of low gold prices.

Gold production from Refugio in 1999 is expected to be 210,000 ounces at an operating cash cost of $240 per ounce with Bema's share being 105,000 ounces. The first quarter of 1999 production has exceeded expectations with the mine producing 52,850 ounces of gold at an operating cash cost of $239 per ounce.

The Refugio Mine property consists of three deposits, Verde, Pancho and Guanaco. Production is from the Verde pit which has a reserve of 2.4 million contained ounces of gold based on a $325 per ounce gold price and is included within an "Extended Base Case" reserve of 4.5 million ounces of gold as outlined in the 1992 Refugio feasibility study which was based on a gold price of $375 per ounce. The potential to add reserves is very good given the depth potential at Verde demonstrated by the results of deep drilling in early 1998 and the nearby Pancho deposit which has a resource of approximately three million ounces.

Two projects, which, even in today's low gold price environment could significantly add to Bema's gold annual production are Lo Increible in Venezuela and Julietta in Russia. El Callao, an affiliated company, owned 38% by Bema, recently completed a pre-feasibility study on Lo Increible, the results of which are very encouraging. The study outlined mineable reserves of 1.1 million low cost recoverable ounces of gold in six open pits. At Julietta, in Magadan, Russia, an independent feasibility study reports that a high grade, small tonnage, operation will be capable of producing an average of 110,000 ounces of low cost gold equivalent annually over a five year mine life from proven and probable reserves. In the first three years of operation the mine will produce 135,000 gold equivalent ounces on average per year. With the inclusion of possible reserves the mine life is nine years with annual average production of 97,000 gold equivalent ounces.

Refugio Mine

The Refugio Mine is a large open pit, heap leach gold mine located in the Maricunga mining district of northern Chile. The operator of the mine is Compania Minera Maricunga which is owned by Bema (50%) and Kinross Gold Corporation (50%) of Toronto, Canada.

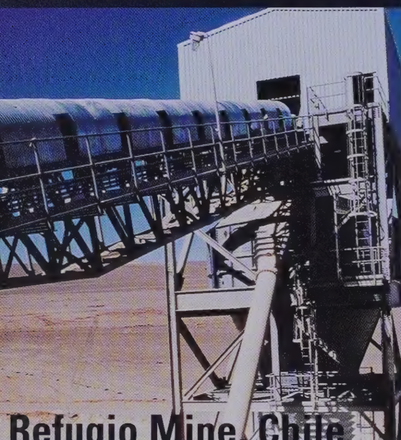
The mine is situated in the Atacama desert of the Andes at an elevation of 4,300 metres and is accessible year round by a 3.5 hour drive on good gravel roads from the city of Copiapo, which has a population in excess of 100,000.

Ore, with a grade of 0.92 grams of gold per tonne, is processed with a three stage crushing and cyanide heap leach operation designed to process 30,000 tonnes of ore per day or 10.8 million tonnes annually. Carbon adsorption stripping and electrowinning are used to recover the gold from the leach solutions. The electrowin concentrate is smelted to dore bars of approximately 85% gold and 11% silver for shipment.

In 1998 the mine plan was revised to reflect current metal prices reducing mineable reserves by 15%. The main benefits of the plan is a reduced waste to ore stripping ratio over the next three years and increased operating flexibility.

Operationally the mine continued to improve in 1998 as a result of changes implemented in late 1997 and throughout 1998. Ore production increased by 15% as approximately 8.2 million tonnes of ore was placed on the leach pads resulting in gold production increasing ten percent over 1997 to a total of 161,046 ounces. Cash operating costs per ounce of gold also improved over 1997 with a modest decrease to $305 per ounce of gold. The fourth quarter of 1998 saw a marked improvement as operating cash costs averaged $246 per ounce of gold and production was 48,700 ounces. This is primarily a result of increased and more efficient crushing and the implementation of the new mine plan including a reduced stripping ratio. The first quarter of 1999 production has exceeded expectations with the mine producing 52,850 ounces of gold at a cash cost of $239 per ounce.

The Company and its partner spent approximately $9.6 million in 1998 primarily on process improvements, further winterization of the facilities and correcting major deficiencies in the original installa-



Refugio Mine, Chile

- Ownership: 50% Bema, 50% Kinross Gold
- Open-pit heap leach gold mine
- Commercial production began Oct 1996
- Projected 1999 production: 210,000 oz. gold
- Projected 1999 operating cash cost: $240 per oz.
- Reserves - Verde deposit: 2.4 million oz. (100%)
- Resources: 6.2 million oz. (100%)

Production data

	1998	*1997*
(US$ per ounce)		
Average realized price	$393	$391
Operating cash costs	$305	$311
Royalties	$ 6	$ 9
Total cash costs	$311	$320
Depreciation, depletion & amortization	$ 78	$ 71
Average Spot Price (London PM)	$294	$331

Operating data

	1998	*1999 Proj.*
Stripping ratio	1.17:1	0.45:1
Tonnes of ore placed (000's)	8,150	10,560
Avg. grade of ore placed (g/t)	1.025	0.941
Gold recovered (oz)		
Bema's share	80,525	105,000

tions. The results of these expenditures were increased crusher throughput and recoveries, expanded process capacity and reduced winter weather related delays. Production was substantially disrupted from July to September as a result of mechanical failures to the main overland conveyor system. The problem was identified and fixed and the conveyor has not had a failure since the repairs were completed.

Safety continued to be an area of focus in 1998 and investments in better facilities, training and safety programs resulted in a drastic improvement compared to 1997. Man hours lost per 100,000 hours worked has been reduced to eight.

Outlook

In 1999, budgeted crushed ore production is estimated at 10.5 million tonnes, an increase of 30% over 1998 levels and as a result of the revised mine plan, waste removed will be 4.8 million tonnes, a reduction of 56%. Gold production is expected to be 210,000 ounces at a budgeted grade of 0.94 grams of gold per tonne and an operating cash cost of $240 per ounce.

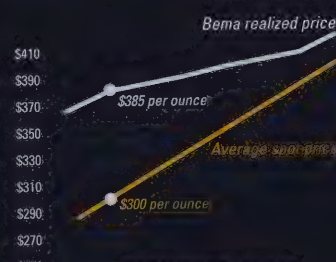
Operational optimization will continue in 1999 with a change to self mining and enhanced crushing capacity. The current mining contractor will be replaced resulting in lower operating costs and increased operating flexibility. Financing of the mobile fleet necessary to carry out self mining will be in the form of a capital lease. In 1998, a plan was implemented to increase crushing capacity, produce a finer product and enhance recoveries by replacing the existing tertiary or third stage crushers with more powerful and durable crushers. On-site testing of the first new crusher is near completion and the full changeover is expected by mid-year.

In an attempt to resolve outstanding financial claims against the mine construction contractor for numerous design and construction failures, Bema and its partner in the Refugio mine accepted a mediated settlement in October. The settlement subsequently collapsed and the partners have initiated arbitration proceedings in Chile.

HEDGING PROGRAM

Bema has successfully managed the risks associated with changing gold prices by employing a hedging program which creates a floor price for future production from the Refugio mine but maintains the upside potential for when gold prices recover to historical average levels. This is done predominantly by way of purchasing put options. The average realized price in 1998 using this strategy was $393 per ounce for the Company's production which was $99 per ounce over the average spot price for gold for the year.

By predominantly using put options the margin per ounce will vary depending on the spot price of gold. Based on a $300 per ounce spot gold price, the hedging program in 1999 will realize an average price of approximately $385 per ounce for Bema's share of planned production from the Refugio mine. The hedging program in place for 2000 would yield an average realized price of $340 per ounce if spot gold price averages $300 per ounce.



1999 Hedging Position

Development

Development Overview

Despite continued weakness in the gold price in 1998 Bema advanced its key development projects. While partner Placer Dome will continue to advance the Aldebaran property to the Final Feasibility Study stage in 1999, the Company will focus on advancing the Lo Increible Project in Venezuela and the Julietta Project in Russia, based on management's belief that good low cost gold projects can be financed and built even at today's low gold price.

The Lo Increible property in Venezuela was advanced through the pre-feasiblity stage with the completion of a study in February 1999. The pre-feasibility study, completed by Bema, was audited by Mineral Resource Development, Inc. ("MRDI") of San Mateo, California.

In June of 1998, Bema acquired a 79% interest in the Julietta Project in Magadan, Russia. The deposit, on which a positive feasibility study has been completed, is a very high grade epithermal gold-silver property.

In 1998, Placer Dome, Bema's and Arizona Star's partner at the Aldebaran property in Chile advanced the Cerro Casale deposit towards final feasibility by spending a total of $27.3 million on the property. Under the terms of the joint venture agreement, Placer Dome will spend a further $18 million on the property in 1999 without any requirement for funding by Bema or Arizona Star.

Lo Increible, Venezuela

El Callao Mining Corp., 38% owned by Bema, has the right to earn a 70% interest in the Lo Increible property, near El Callao, Venezuela, 1,000 kilometres southeast of Caracas. Bema is the largest shareholder and manages the affairs of El Callao Mining Corp.

Work on Lo Increible in 1998 consisted of diamond drilling and a resource calculation, which was announced in November, and the commencement of a pre-feasibility study the results of which were announced in February 1999.

The geological resource was calculated by MRDI on six separate deposits. Using a cut-off grade of 1.0 gram of gold per tonne the indicated and inferred resource is 24.1 million tonnes grading 3.3 grams of gold per tonne containing 2.6 million ounces of gold.

The pre-feasibility study was undertaken to determine if the resource could support a viable open pit mine and based on a gold price of $300 per ounce it was concluded that the project is technically and economically viable.

The Lo Increible project comprises a typical greenstone hosted shear and vein gold mineralized system with many similarities to the Timmins, Ontario gold camp. The La Columbia underground mine, approximately five kilometres south of the Lo Increible property is currently mining to a down dip depth of 450 metres and has been drilled to a down dip depth of 900 metres. The six deposits on the Lo Increible property have been outlined by 197 diamond drill holes totalling 34,400 metres and 71 reverse circulation drill holes totalling 8,900 metres over a regional strike length of eight kilometres. The exploration potential at Lo Increible is excellent as all deposits are open to depth and along strike and there are still numerous mineralized showings yet to be drill tested.

Lo Increible Pre-feasibility Study

The study includes geological and metallurgical interpretation of six deposits, conceptual mine planning, engineering studies, and the development of capital and operating cost estimates. The Lo Increible project contains a mineable open pittable reserve of 11.4 million tonnes grading 3.14 grams of gold per tonne for a total of 1.1 million

Lo Increible, Venezuela

- Ownership: 51% El Callao Mining Corp. (Bema owns 38% of El Callao)
- Geological resource: 2.6 million oz. gold
- Prefeasibility study:
  Reserves: 1.1 million recoverable oz. gold
  Operating costs: $167 per ounce gold
  Production: 138,000 ounces gold (average: years 1-6)

1999 Objectives
- Initiate a final feasibility study

ounces of recoverable gold based on a projected average gold recovery of 92%. The average waste to ore ratio is 6.74 to 1. The study recommends mining from six open pits and processing the ore at a rate of 3,000 tonnes per day in a conventional carbon in leach circuit. Mine production is scheduled over six years with lower grade ore to be stockpiled near the crusher to be processed for a period of five years once open pit mining has terminated. Average annual production of gold will be 138,000 ounces in the first six years and during the next five years with ore being supplied from the stockpile average annual gold production will be 47,200 ounces. Initial capital cost estimates are $69 million with operating cash costs of approximately $167 per ounce and total costs of $235 per ounce. Using a life of project gold price of $300 per ounce, the project has a pre-tax IRR of 20% and at a base case gold price of $325 per ounce the pre-tax IRR increases to 26%.

Although drilling has reached a depth varying from 370 metres to 440 metres downdip, the current open pit plan proposes to mine 150 metres to 270 metres downdip, or 120 metres to 150 metres vertically. Two of the deposits, La Cruz and Victoria contain additional higher grade resources either laterally or at depth totalling 1.34 million tonnes grading 6.77 grams of gold per tonne containing 305,000 ounces of gold. These resources have the potential to be expanded and also have the potential to be exploited by underground mining methods during the later years of the open pit mine and beyond. All six deposits are open at depth and along strike.

In 1999 the Company plans to initiate a bankable feasibility study over a period of approximately 16 months at a cost of $6.0 million. The study will include infill drilling of the reserves, geotechnical and engineering studies.

Julietta Project, Magadan Region, Russia

In June, through the acquisition of Arian Resources Corporation, Bema acquired the Julietta Project which is a high grade gold-silver lode deposit situated in the highly prospective Magadan metallogenic belt. Proven, probable and possible reserves at Julietta are 1.14 million tonnes grading 20.1 grams of gold per tonne and 340 grams of sil-

ver per tonne containing 750,000 ounces of gold and 12.5 million ounces of silver.

The Julietta Project, owned 79% by Bema, is located 250 kilometres north of the port city of Magadan, a three hour flight from Anchorage, Alaska, and is accessible all year by paved and gravel roads. With the acquisition of Julietta, Bema also gained 227 square kilometres of mineral licenses with very good exploration potential.

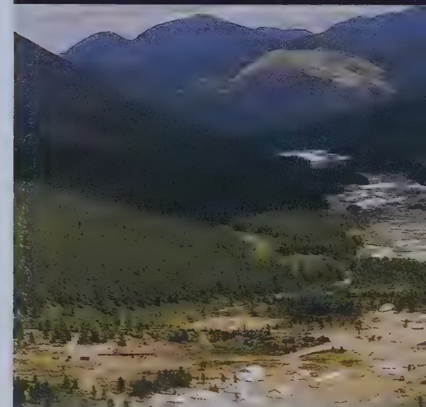
The deposit is a typical epithermal vein type, gold-silver deposit with a very high silver content. The currently defined reserves comprise 14 quartz-sulphide veins located within an area measuring approximately one by two kilometres.

In July 1996 Davy International Canada Limited completed a Feasibility Study to examine the technical and engineering aspects of the project. In September 1996 MinCorp Ltd. and The Industrial Company were commissioned to review and revise certain aspects of the Feasibility Study and to prepare a plan for the development and operation of the deposit, including an independent estimate of capital and operating costs.

Existing underground development consists of approximately three kilometres of exploration drives on three levels. This development and proposed declines and inclines will be used to access the orebody. The mining method will be underground cut and fill at a planned rate of 350 tonnes per day or 122,500 tonnes per year. The ore has simple metallurgical characteristics and processing will be by way of floatation to produce a concentrate with recoveries of 93% for gold and 85% for silver. Annual production from proven and probable reserves in the first three years will average 135,000 ounces of gold equivalent and 110,000 ounces of gold equivalent over a five-year mine life. With the inclusion of possible reserves the mine life is nine years with average annual production of 97,000 gold equivalent ounces.

Initial capital costs are estimated to be $65 million and cash operating costs are forecast to be $119 per ounce of gold equivalent.

Prior to the Russian financial collapse Bema had secured sufficient debt financing to proceed with the development of Julietta. After the collapse, one of the two banks withdrew their commitment to finance



Julietta Project, Russia

- Ownership: 79% Bema
- Feasibility Study:
  Reserves (100%): 750,000 oz. gold; 12.5 million oz. silver
  Operating cash costs: $119 / oz. of gold equivalent
  Production (100%): 110,000 oz. of gold equivalent in years 1-5
- Large exploration license: 225 km²

1999 Objectives

- Arrange construction financing
- Additional site preparation

Aldebaran Property, Chile

- Ownership: 24% Bema Gold, 25% Arizona Star, 51% Placer Dome Inc.
- Cerro Casale deposit measured and indicated resource at 1998: 21.7 million ounces of gold and 5.5 billion pounds of copper
- Joint venture agreement with Placer Dome Inc. for completion of a final feasibility study and development of a mine at Cerro Casale

1999 Objectives

- Final feasibility at Cerro Casale and additional exploration on other targets on the Aldebaran Property financed and operated by Placer Dome Inc.

the Project. Bema is currently discussing with several financial institutions including international debt agencies the arrangement of financing for the construction of Julietta. Bema's corporate objective is to finance the Julietta Project in 1999.

Bema completed approximately $6 million of work in 1998 including the purchase of a civil construction equipment fleet and upgrading a significant portion of the access road. Additional samples were obtained from the underground workings for metallurgical testing to optimize and finalize the process flow sheet.

The potential to expand the deposit at the Julietta Project is good as it remains open along strike and there exists several surface showings within the property license area which require further exploration.

In 1999, Bema plans to recommence construction with site preparation and additional road work scheduled for early summer.

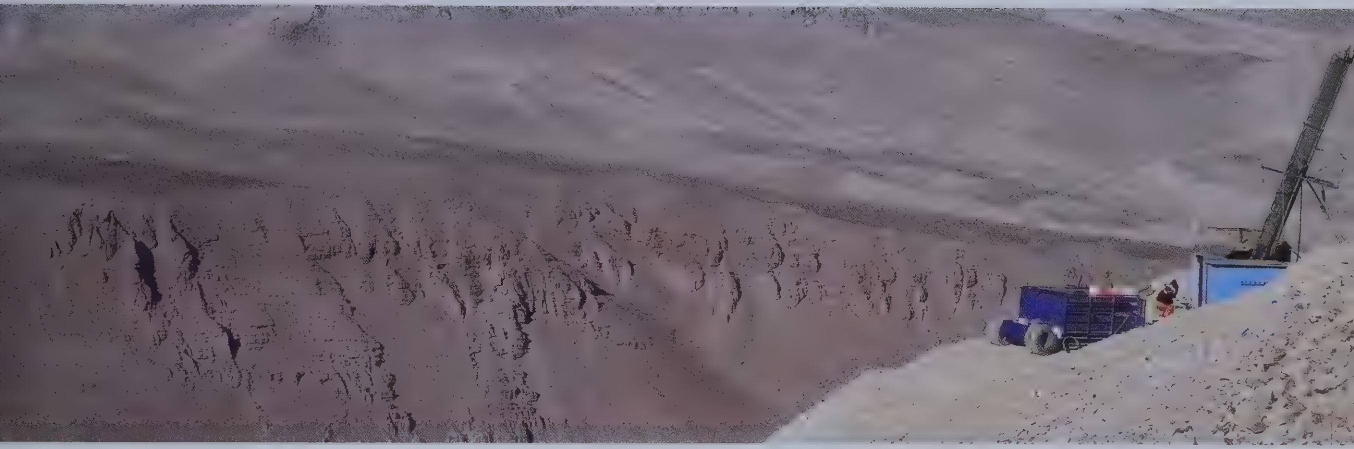
Aldebaran Property, Northern Chile

The Aldebaran property is located approximately 30 kilometres south of the Refugio Mine in the Maricunga region of northern Chile and is host to the large Cerro Casale gold-copper porphyry deposit. The Aldebaran property is owned by Bema and its 32% owned affiliate, Arizona Star Resource Corp. Placer Dome Inc. can earn a 51% interest in the property by commencing construction.

Placer Dome, under the terms of the joint venture agreement committed to complete a final feasibility study by the end of 1999. In 1998 Placer Dome significantly advanced the Aldebaran property by completing $20.3 million of work on the Cerro Casale feasibility study and by conducting exploration on other Aldebaran targets at a cost of $7.0 million.

In December, Placer Dome, Bema and Arizona Star announced an updated geological resource for the Cerro Casale deposit. The measured and indicated resource above a 0.4 grams of gold per tonne cut off contains 952.1 million tonnes at 0.71 grams of gold per tonne and 0.26% copper for a total of 21.7 million ounces of gold and 5.5 billion pounds of copper. This represents a 2.0 million ounce increase over Bema's pre-feasibility study measured and indicated resource.

The Cerro Casale deposit remains open at depth, to the northwest



and at the east end of the higher grade southwest zone. Further drilling will be completed at Cerro Casale early in 1999 to define the southwest and northwest zones and to convert more inferred ore into the measured and indicated categories.

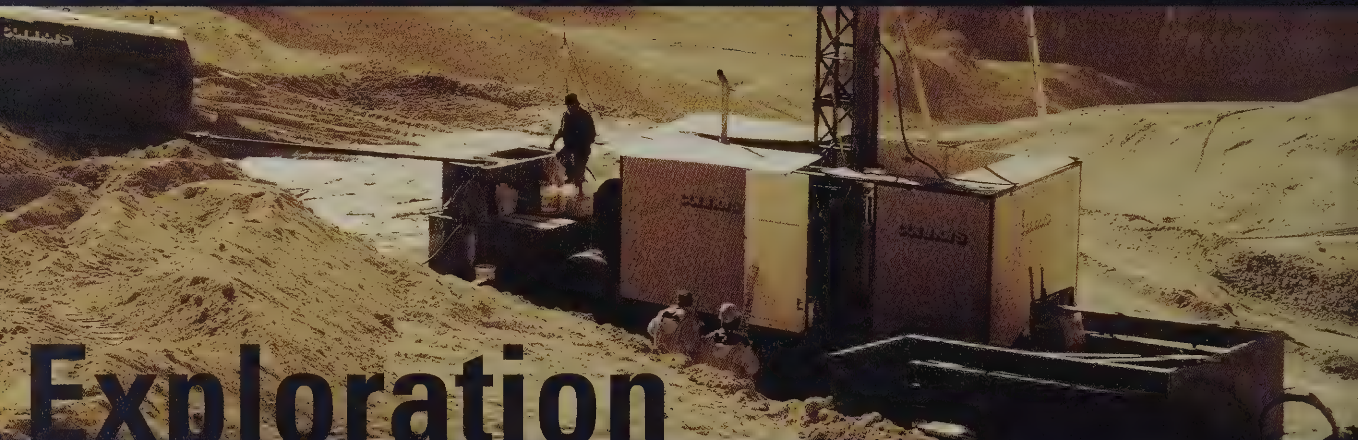
The feasibility work carried out by Placer Dome in 1998 includes metallurgical testing, mine planning, process design, environmental baseline studies and permitting and capital and operating cost estimates. In addition to the Cerro Casale feasibility study, exploration by Placer Dome on other targets on the Aldebaran property included airborne and ground geophysics, geological mapping, bull dozer trenching and diamond drilling.

In 1999, Placer Dome has committed to spend approximately $18 million on exploration and completing the Final Feasibility Study.

Yarnell Property, Arizona, USA

At the 100% owned Yarnell property, located in Yavapai County approximately 120 kilometres northwest of Phoenix, Bema further advanced the permitting process and reached some significant milestones. Bema anticipates full regulatory approval in 1999.

Following regulatory approval and a six month construction period, gold production from the 265,000 ounce mineable reserve is forecast to be 33,000 ounces per year for six years at an average operating cash cost of approximately $200 per ounce of gold.



Exploration

Exploration Overview

Exploration has always been a major focus of Bema and a key to its success. The main component of Bema's strategy is to become a larger gold producer by exploring for and developing its own reserves and resources. To date this strategy has been very successful, as the team at Bema has discovered approximately 40 million ounces of gold reserves and resources. Bema also recognises the need to manage its capital resources given the low gold price and as such exploration activities in 1998 concentrated on properties where new discoveries were made in 1997.

Bema pursues early stage exploration through associated companies that it controls, manages and helps finance. This strategy was employed by Bema through its 32% owned affiliate Arizona Star Resource Corp., which successfully raised equity capital to fund exploration of the Aldebaran property on which the world class Cerro Casale deposit was discovered.

Bema employs this strategy with its other junior company associations, all of which are managed by Bema, including:

Arizona Star Resource Corp.
El Callao Mining Corp.
Consolidated Westview Resource Corp.
Puma Minerals Corp.
Victoria Resource Corporation

Quebrada Property

Maricunga District, Northern Chile

Bema's exploration efforts in Chile during 1998 focused primarily on it's 100% owned Quebrada Property located 11 kilometers east of the Aldebaran property.

The Q. Seca zone is the most advanced exploration target on the Quebrada property with forty-one reverse circulation and diamond drill holes totaling 11,600 metres completed to the end of 1998. Mineralization at Q. Seca appears to be an epithermal gold system adjacent to or on top of a porphyry gold system.

The deposit has not been fully explored and appears to remain open at depth and to the northwest. In 1998, metallurgical tests on drill core showed recoveries between 80 – 90% and indicate that the mineralization is potentially amenable to heap leach processing.

The Paola and Nelly targets were also drill tested in 1998. Encouraging results at Paola included an intersection of 44 meters of 0.85 grams of gold per tonne and at Nelly an intersection of 72 meters of 0.8 grams of gold per tonne in a reverse circulation drill hole and 30 meters of 1.24 grams of gold per tonne in a diamond drill hole. Both targets are open in all directions.

In 1999, Bema will commence a resource calculation on the Q. Seca zone and conduct surface mapping on the Quebrada property.

Aldebaran Property

Maricunga District, Northern Chile

As outlined in the Development section of this Annual Report, Placer Dome significantly advanced the Aldebaran property by spending $20.3 million on the Cerro Casale Feasibility Study and approximately $7 million on exploration. Of the numerous targets on the Aldebaran property, Placer Dome continued to focus its exploration on the Cerro Roman and Eva Zones by conducting airborne and ground geophysics, geological mapping, trenching and diamond drilling. Placer Dome completed 7,200 metres of drilling on the Cerro Roman deposit and 2,400 metres on the Eva deposit and has now calculated a geological resource for each deposit. Using a cut-off grade of 0.5 grams of gold per tonne for both deposits, Cerro Roman contains

Quebrada Property, Chile

- Ownership: 100% Bema
- Exploration has outlined numerous gold porphyry targets including a discovery at the Q. Seca zone.

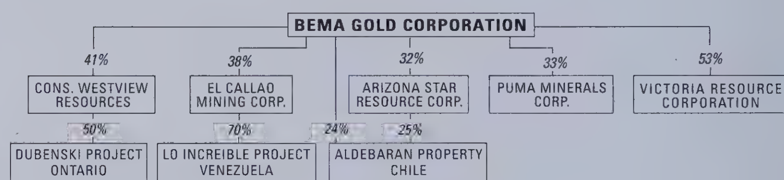
1999 Objectives:

- Provide a resource calculation on the Q. Seca zone

104.7 million tonnes at 0.69 grams of gold per tonne and 0.12% copper for 2.3 million ounces and Eva hosts a resource of 51.8 million tonnes at 0.7 grams of gold per tonne for 1.2 million ounces. Eva and Cerro Roman remain open at depth and Eva remains open to the west.

Placer Dome has budgeted a further $18 million of expenditures in 1999 to continue exploration of the Aldebaran property and to complete the Cerro Casale final feasibility study. Exploration will focus on the Eva, Anfiteatro and Estrella zones. Drilling recommenced in January 1999.

Exploration through associated companies



ARIZONA STAR RESOURCE CORP.

Bema owns 32% of Arizona Star Resource Corp. and manages its affairs. Bema and Arizona Star were very successful in exploring for the Cerro Casale deposit on which Placer Dome is completing a feasibility study. (Please see the Development Section of this Annual Report)

Arizona Star acquired the Cenizas property located along the West Fissure fault in Northern Chile. Geological mapping and trenching were carried out with disappointing results and the property was subsequently returned to the underlying owners.

Arizona Star owns 25% of the Cerro Casale deposit and has C$4 million in cash. The Company is reviewing exploration properties in Chile. Arizona Star is listed on the Vancouver Stock Exchange.

EL CALLAO MINING CORP.

Bema owns 38% of El Callao and manages its affairs. El Callao owns 51% of the Lo Increible Property in Venezuela and has the right to increase its ownership to 70%. El Callao is listed on the Vancouver Stock Exchange. (Please refer to the Development Section of this Annual Report.)

CONSOLIDATED WESTVIEW RESOURCE CORP.

Consolidated Westview Resource Corp. continues to focus its exploration effort in Ontario.

In July Consolidated Westview Resource Corp. entered into a joint venture agreement to earn a 50% interest in the Dubenski Project and is assuming operatorship. The Dubenski Project is located 70 km southeast of Kenora, in Northern Ontario, Canada. The target in the area is a high grade gold system similar to the Red Lake or Timmins, Ontario mining camps.

An eight hole diamond drill program totalling 2,038 meters identified gold mineralization associated with quartz veining and intense alteration along the contact between volcanic and intrusive rocks. The first four holes of the program were released in December 1998 with encouraging results.

Mapping, trenching, geophysics and additional drilling are planned for 1999 on the Dubenski Project.

Bema Gold Corporation owns 41% of Westview and manages its affairs. Westview's common shares trade on the Vancouver Stock Exchange.

PUMA MINERALS CORP.

Puma Minerals Corp. drilled several holes on the Arroyo Cascada property in Chubut Province of Argentina. No significant mineralization was encountered in the drilling and the decision was made to terminate the option on the property. In an effort to reduce costs, Puma's office in Mendoza, Argentina was closed. Puma continues to review gold exploration properties in Argentina and Peru. Bema owns 33% of Puma and manages its affairs. The common shares of Puma are listed on the Vancouver Stock Exchange.

VICTORIA RESOURCE CORPORATION

Bema's exploration team reviewed exploration properties in Nevada, Mexico and Central America as potential acquisitions for Victoria Resource Corporation. None of the properties reviewed were deemed suitable; however, the acquisition team at Bema is currently reviewing other projects in those jurisdictions. Victoria remains in the favourable position of having a strong cash balance. Bema owns 53% and manages Victoria's affairs. Victoria is listed on the Vancouver Stock Exchange.

Aldebaran Property, Chile

- Ownership: 24% Bema, 25% Arizona Star, 51% Placer Dome
- In addition to Cerro Casale, there are numerous other high potential targets on the Aldebaran Property
- Placer Dome commenced an exploration drilling program in February 1998.

1999 Objectives

- Placer Dome will further evaluate other exploration targets

Shareholder Information

Bema Gold Corporation has an objective to ensure that it's shareholders receive information about the Company in a timely and convenient manner. For general information about the Company, contact the Investor Relations Department. Information may be attained through the following options:

WEB SITE:

Visit Bema' s web site at www.bema.com for the most up to date information and news releases about the organization and the Bema Group of Companies.

FAX ON DEMAND:

To receive current press releases and financial statements on Bema and the Bema Group of Companies via fax, please call (604) 681-8371 and request "fax on demand" service.

MAILING LIST:

If you would like to receive all current press releases and/or Bema's annual report and quarterly reports, please request to have your name added to the mailing list, fax list or e-mail list or submit your request via Bema's web site.

SHARE PRICE PERFORMANCE:

The following table sets forth, for the periods indicated, the high and low sales prices of the Company's common shares, as reported by The Toronto Stock Exchange and the American Stock Exchange respectively.

1998 TORONTO STOCK EXCHANGE

(Canadian dollars)

	High	*Low*	*Close*
1st Quarter	$3.73	$2.83	$3.45
2nd Quarter	$3.44	$2.84	$2.91
3rd Quarter	$2.10	$1.37	$1.60
4th Quarter	$1.90	$1.40	$1.44

1998 AMERICAN STOCK EXCHANGE

(U.S. dollars)

	High	*Low*	*Close*
1st Quarter	$2.69	$1.96	$2.38
2nd Quarter	$2.46	$1.88	$2.21
3rd Quarter	$0.96	$0.58	$0.63
4th Quarter	$1.27	$1.21	$0.94

MD&A

Management's Discussion and Analysis

The following discussion of the operating results and financial position of the Company for each of the years in the three-year period ended December 31, 1998 should be read in conjunction with the Consolidated Financial Statements and related Notes.

RESULTS OF OPERATIONS

The Company's loss for the year ended December 31, 1998 was $46.1 million or $0.40 per share compared to a loss of $5.9 million or $0.07 per share in 1997 and $2.7 million or $0.05 per share in 1996. The loss of $46.1 million in 1998 consisted mainly of the write-down of the carrying value of the Refugio Mine by $30 million and other write-downs totaling $8.4 million. Excluding write-downs, the Company's loss was $7.7 million or $0.07 per share attributed mainly to the higher than expected operating costs at the Refugio Mine due to problems with the overland conveyor that have since been resolved. The loss in 1997 was the result of lower than anticipated production at Refugio caused primarily by the unusually severe winter conditions in Chile that interrupted mine operations throughout the second and third quarter of 1997. In 1996, the $2.7 million loss was mainly due to the Company's $2.3 million equity share of an associated company's write-off of deferred acquisition and exploration costs.

Mine Operations

The Company's 50% share of Refugio Mine revenue in 1998 increased to $32 million as 81,639 ounces of gold were sold at an average realized price of $393 per ounce compared to revenue of $28 million in 1997 (1996 - $10.8 million) from 71,610 ounces (1996 - 28,266 ounces) sold at an average price of $391 per ounce (1996 - $382 per ounce). Included in revenue are hedging gains of $8 million in 1998 and $4.1 million in 1997 (1996 - $206,000).

In order to manage its exposure to fluctuations in the market price of gold, the Company uses derivative financial instruments including forward contracts and options which are intended to reduce or eliminate the risk of falling gold prices on the Company's financial operating results. The Company's hedging program involves purchasing mainly put options, which establishes a minimum sales price for the future production covered by such put options and at the same time permits the Company to participate in any price increases above the strike price of the contracts. The Company will at times sell call and put options to finance its hedging program or enhance the value of forward contracts.

From its hedging program, the Company realized $393 per ounce on gold sales in 1998 or a $99 per ounce premium over the average spot price of $294 per ounce, resulting in additional revenue of $8 million. In 1997, the average realized price was $391 compared with the spot average of $331 per ounce. Based on an average spot gold price of $300 per ounce, the Company expects to realize average prices of approximately $385 and $340

per ounce, respectively, for anticipated 1999 and 2000 production from the Refugio Mine.

The Company's share of the Refugio Mine's gold production was 80,525 ounces in 1998 compared to 73,543 ounces in 1997. In 1996, the Company produced 50,638 ounces of gold, of which 30,611 ounces were produced from October 1, 1996 onwards, being the start of commercial production at the Refugio Mine.

Operating cash costs for the Refugio Mine averaged $305 per ounce in 1998 compared to $311 in 1997 and $233 per ounce for the three-month period of commercial production in 1996. Operating cash cost is calculated by dividing the mine's mining, processing, administrative, refining and selling costs less any silver credits, by the total ounces produced. Total cash cost, which includes royalties, was $311 per ounce in 1998 and $320 per ounce in 1997 (1996 - $245 per ounce). The Company's non-cash cost, consisting of the mine's depreciation and depletion charges, was $78 per ounce in 1998 and $71 per ounce in 1997 (1996 - $65 per ounce).

Production at the Refugio Mine was hampered by conveyor belt splice failures and conveyor motor breakdowns during the first three quarters of 1998 which along with tertiary crusher failures resulted in lower than anticipated production. Plans have been implemented to upgrade the tertiary crushers by mid-year to heavier duty units that will provide greater operational reliability. The problems with the conveyors were resolved by CMM personnel by the fourth quarter and measures have been taken to prevent future prolonged stoppages by ensuring the availability of spare motors and gearboxes on site and by CMM performing its own belt splicing. The low production levels combined with the cost of repairs resulted in a higher than budgeted operating cash cost of $305 per ounce in 1998. Significant improvements in production, however, occurred in the fourth quarter, in part due to the numerous mechanical and logistical improvements made over the past 18 months. For the last quarter of 1998, the Refugio Mine produced 48,680 ounces of gold (24,340 ounces to Bema's account), at an operating cash cost of $246 per ounce.

In 1997, production at the Refugio Mine was significantly impacted by a series of winter storms. Episodes of exceptionally heavy snowfall and high winds repeatedly cutoff site access, resulting in numerous interruptions to mine operations. The recovery process from the winter storms affected mine operations in one form or another as snow drifts had to be removed and repairs made to damaged equipment. For 1997, excluding June to October which were the months directly and indirectly affected by the winter storms, the Refugio Mine's operating cash cost per ounce would have averaged $256 for the year compared to the reported cash cost of $311 per ounce.

During 1998, the new access road was completed and along with other winter improvements allowed production to continue through the winter months with minimal downtime due to storms.

Depreciation and depletion

The increase in depreciation and depletion in 1998 from 1997 was the result of increased production and a higher depreciation charge due to ongoing capital improvements at the Refugio Mine. Depreciation and depletion in 1996 reflect the three months of commercial production. The depreciation charge per ounce for 1999 is expected to be lower as a result of the write-down of the carrying value of the Refugio Mine in 1998.

Mine royalty

The Company, through CMM, makes quarterly production royalty payments. The royalty is calculated as a percentage of the net smelter return and ranges from 2% if gold averages below $340 per ounce during the quarter to a maximum of 5% if gold averages above $470 per ounce, based on the Company's share of CMM gold production. Despite more ounces being sold in 1998, royalty expense was lower in 1998 than in 1997 because the spot

price averaged $294 per ounce compared to $331 per ounce for 1997. The royalty is capped at an aggregate of 37,000 ounces of gold. To December 31, 1998, the Company has paid approximately $1.5 million or the equivalent of 4,552 ounces of gold under this royalty.

General and administrative

General and administrative expenses which includes the administration costs incurred at the corporate office in Vancouver, as well as administration expenses in Bermuda and Barbados, increased by 12% in 1998.

Interest on long-term debt

In 1998, interest expense increased to $2.7 million from $2.2 million in 1997 due to the higher interest rates for a dollar denominated loan as compared to the gold loan in 1997. In 1996, interest expense was $851,000 after capitalizing $2.1 million of Refugio loan interest to mine development costs incurred prior to the commencement of commercial production.

Amortization of deferred financing costs

The increase in the 1998 amortized financing costs was the result of an additional $1.9 million (1997 - $1.5 million) being spent on the Refugio re-financing, mostly relating to the Company's legal expenses with respect to loan documentation. Loan documentation was not completed until December 1998 as the merger between the Company's Refugio Mine joint venture partner, Amax Gold Inc., and Kinross Gold Corporation delayed the loan documentation process.

General exploration

General exploration expense in 1998 remained relatively unchanged from the $1.1 million incurred in 1997. In 1997, the Company's exploration efforts centered mainly on the Maricunga District in Chile whereas in 1998, the Company also explored for gold properties in Africa and other countries in South America.

Insurance proceeds

The severe Chilean winter of 1997 resulted in the filing of various insurance claims including one for mine access denial. The Company's share of insurance proceeds totaled $2.5 million in 1998, of which $200,000 was credited to capital assets, compared to $2.1 million in 1997 of which $1.35 million was credited to cost of production. The proceeds recorded to date represent advance payments from the insurance carrier, as final settlement amounts are not yet determinable by management. The Company records a provision for amounts that may be received on any claims at the time that a Proof of Loss statement is received from the insurer signifying the carrier's acceptance of the claim.

Other

Interest income totaled $1.8 million in 1998 and $1.5 million in 1997 (1996 - $1.5 million) offset by a foreign exchange loss of $1.1 million in 1998 and $792,000 in 1997. Although the Company reports in U.S. dollars, the majority of its corporate general and administrative expenses are paid in Canadian dollars. Approximately one-half of the 1998 and 1997 foreign exchange loss was unrealized at the respective year-ends as the Company held Cdn.$16 million at December 31, 1998 and Cdn.$14 million at December 31, 1997. The remainder of the 1998 and 1997 foreign exchange loss resulted primarily from the Company having to make U.S. dollar purchases during a period in which the Canadian dollar weakened significantly against the U.S. dollar.

Equity in losses of associated companies

In 1998, the Company recorded an equity loss of $1.1 million due mainly to its share of the property write-offs by Puma Minerals Corp. ("Puma") of the Arroyo Cascada property in Argentina ($600,000) and by Consolidated Westview Resource Corp. of the Stewart properties in Ontario ($300,000). In 1997, the Company's equity loss of $560,000 was attributable to its share of the general and administrative costs incurred by associated companies, whereas the 1996 equity loss of $2.3 million resulted mainly from the write-off of the Uspallata property by Puma.

Investment gains

In 1997, investment gains totaled $2.6 million consisting of a $1.3 million gain (1996 - $1.5 million) from the sale of shares of associated companies and a further $1.3 million gain from a share issue by Arizona Star relating to the Aldebaran property agreement which reduced Bema's ownership in Arizona Star from 33% to 32%.

Write-down of mineral properties

The Company performs evaluations to assess the carrying values of its mining asset and advanced stage development properties on an on-going basis. Based on the continued weakness in the price of gold and estimated future net cash flows, the carrying value of the Refugio Mine was written down by $30 million. The life-of-mine analysis was undertaken using a net recoverable amount calculation and a gold price assumption of $300 per ounce for 1999 and $325 per ounce thereafter. In addition, the Buffalo Gulch property, previously written down to an amount determined to be recoverable under a net smelter royalty agreement, was written off to the extent of its remaining carrying value of $2.7 million.

Write-down of inventory and notes receivable

Based on a study completed by Refugio Mine management during the third quarter of 1998, the Company's 50% share of the carrying value of the in-process inventories was written down by $3.6 million. The study concluded that while recoveries of the fine crushed ore remained consistent with feasibility study estimates, the recoveries of the run-of-mine ore and primary crushed ore placed on the heap pads in 1997 were lower than estimated.

In 1998, the Company recorded a $2 million provision with respect to the amounts owed by Puma, as collection was considered doubtful.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1998, the Company had $13.5 million (1997 - $24.3 million; 1996 - $68 million) in cash and short-term investments and working capital of $17.4 million (1997 - $33.2 million; 1996 - $47.5 million).

Operating activities

Operating activities required funding in the amount of $4.3 million during 1998 as the Company settled $4.4 million of outstanding accounts payable of Arian Resources Corporation ("Arian") that was assumed by the Company following the acquisition (see Investing activities section). The 1997 cash from operating activities was restated in 1998 by $8.9 million to reflect both the gain from the monetization of the Refugio Mine gold loan and closed out gold hedge contracts in the same category as the cash flows from the future sale of the hedged production. These gains more than offset the extra funding that was required by the Refugio Mine caused by the lower than expected production and the build-up of the heap-inventory above normally expected levels in 1997; both of which were impacted by the severe winter conditions. In 1996, cash from operating activities totaled $2.2 million due mainly to cash generated by the Refugio Mine during the fourth quarter of 1996.

Financing activities

During 1998, the Company raised $19.5 million by issuing 8 million common shares at Cdn $3.75 per share to a syndicate of underwriters. In addition, Bema issued 10,010,530 common shares having a fair value of $18.5 million on the acquisition of Arian and settled $1.7 million of debts owed by Arian by issuing 776,016 common shares. In 1998, the Company repaid $6 million of the Refugio loan.

On June 30, 1997, CMM made a gold loan repayment of 22,368 ounces of gold having a carrying value of $8.5 million of which the Company's portion was $4.25 million. On December 24, 1997, Barclays assumed Bema's 50% share of CMM's outstanding Refugio gold loan. Bema then converted the gold loan consisting of 89,473 ounces having a carrying value of $34 million or $380

per ounce to a dollar loan of $25.7 million, by delivering gold purchased at $287.15 per ounce. A gain of $8.3 million was realized from the monetization of the gold loan which is being deferred and included in gold sales revenue when the production originally designated as a hedge is sold.

The Barclays facility allows for an additional $14.3 million to be borrowed, of which $4 million was drawn down in 1997 and an additional $308,000 in 1998. The facility can be converted back to a gold loan at any time at the option of the Company. Since the loan is currently dollar denominated, the Company entered into interest rate hedge contracts, as required by the loan agreement, in order to protect itself against fluctuations in the interest rate. The facility has an interest rate margin of 1.75% which is 2.25% lower than under the original loan agreement. Upon the release of the escrow funds after Barclays assumed the outstanding gold loan in 1997, Bema Gold (Bermuda) Ltd. repaid the $10 million joint venture loan to Amax Gold Inc.

On September 5, 1997, the Company exercised its option to redeem all the remaining outstanding convertible debentures, which resulted in the conversion of $22.4 million ($10.3 million converted in 1996) principal amount of debentures at $2.05 per share by the issuance of 10,949,746 common shares. The debenture conversions of 1997 and 1996 did not result in any additional cash to the Company.

As a result of the Aldebaran transaction with Placer Dome Inc. ("Placer"), Placer purchased 907,807 common shares of Bema at Cdn.$7.50 per share adding $4.9 million to the Company's treasury whereas stock options exercised contributed an additional $2 million in 1997.

In 1996, Bema received $71 million in net proceeds from two public offerings of its shares and an additional $7.7 million from the exercise of warrants and stock options. As a result of the longer than expected start-up period at the Refugio Mine, Amax Gold funded $2 million of the Company's 50% share of CMM's additional cash requirements during 1996 by way of a loan to Bema Gold (Bermuda) Ltd.

Investing activities

Effective June 29, 1998, the Company acquired all of the issued and outstanding shares of Arian Resources Corporation by issuing 10,010,530 common shares at a deemed price of Cdn$2.72 per share for fair value consideration of $18.5 million and incurred $890,000 in related acquisition costs. Arian's principal asset is its 79% interest in Omsukchansk Mining and Geological Company ("OMGC"), a Russian joint stock company, which holds the licence for the rights to explore, develop and mine the Julietta deposit.

During 1998, the Company spent $6.2 million on the development and construction of the Julietta property, of which $3.7 million was spent on camp and construction equipment. As with many Russian mineral properties affected by the transitory and uncertain nature of the Russian legal system, there are certain irregularities affecting the Julietta licence, which may adversely affect OMGC's interest in the Julietta licence area. OMGC has taken, and will continue to take all available steps to protect its interest in the licence area. Based on the documented support of all levels of the Russian government, including the recent extension of certain conditions of the Julietta licence, management believes that it is unlikely that OMGC's interest in the licence will be negatively impacted. The Julietta licence requires OMGC, among other things, to produce a minimum of 1,200 kilograms (38,580 ounces) of gold per annum commencing in the year 2001.

In 1998, the Company's portion of capital expenditures at the Refugio Mine totaled $4.8 million (1997 - $6.7 million) of which $2.9 million was spent on site infrastructure (including $1.6 million on the new access road) and $1.6 million on the crushing and processing

plants. Of the $7.2 million expended in 1998 on acquisition, exploration and development, $1.1 million (1997 - $1.2 million) was spent on the Yarnell property, mainly for permitting, $1.7 million (1997 - $2.3 million) was on the Quebrada property where the Company conducted a diamond drilling program to further delineate the Q Seca deposit and $3.3 million was for the administration of the Chilean exploration effort through its Santiago and Copiapo offices that included property option payments, Chilean legal expenses, Cerro Casale close-out and severance payments. In addition, in 1997, the Company spent $9.9 million on the Aldebaran property prior to the agreement with Placer whereby Bema and Arizona Star granted Placer the right to acquire a 51% interest in the Aldebaran property under certain terms and conditions (for details of Placer's earn-in requirements, refer to Note 5 of the Notes to Consolidated Financial Statements). The Aldebaran property consists of the Cerro Casale deposit and the adjacent property previously known as Yeguas Heladas. In December 1997, Bema received its 49% share of a $10 million cash payment by Placer with respect to this agreement. In essence, the agreement with Placer will allow for the Aldebaran project to continue to advance without further cash requirements by Bema and Arizona Star unless mine construction exceeds $1.3 billion.

In 1996, $14.2 million was expended on the Refugio Mine of which a significant portion related to an unanticipated delay in achieving commercial production due to construction and mechanical problems encountered with the fine crush facility. The Company, together with its joint venture partner, believes that the contractor of the Refugio Mine was negligent in certain areas of mine construction and is investigating all options including financial remedy. The Company also expended $9.1 million on acquisition and exploration of the Aldebaran property, of which $5.4 million was on the oxide feasibility study and deep drilling at the Cerro Casale deposit and $3.7 million, consisting of a share issue of 907,441 common shares at a deemed price of $4.077 per share, was for the final option payment to acquire a 49% interest in the Aldebaran property. In addition, $1.5 million was spent on the Yeguas Heladas property, of which $980,000 was for the final option payment to acquire a 49% interest in the property. Furthermore, $1.6 million was incurred on permitting and development of the Yarnell property in Arizona.

In order to finance its publicly traded associated companies, Bema may at times either exercise share purchase warrants or sell free trading shares it holds in these companies, primarily through brokers to institutional investors, and then use the sale proceeds to purchase private placement units in associated companies. Each unit typically consists of a share and a half share purchase warrant and the units have a one year hold period unless qualified for resale. In 1997 and to a lesser extent in 1996, Bema employed this method of financing its associated companies. In total, Bema made investment purchases in 1997 of $6.9 million (1996 - $20 million) of which $1.7 million (1996 - $14.1 million) was used to acquire Arizona Star shares, $3.9 million (1996 - $5.3 million) for the purchase of El Callao Mining shares and $1.3 million to acquire shares of Puma.

During 1998, the Company advanced to El Callao Mining and Puma, in return for promissory notes issued, $3.8 million (1997 - $3.3 million) and $450,000 (1997 - $470,000), respectively. Also in 1998, Arizona Star repaid to Bema $3.5 million that was advanced in 1997.

YEAR 2000

The Company is currently completing its assessment of the Year 2000 Issue. The assessment process at the corporate and exploration offices centered on the hardware and software of the financial information systems, whereas at the Refugio Mine the assessment process covered its equipment controllers, measuring devices, communications and security equipment and any other equipment that may be controlled by an internal clock.

Through this process, one of the key areas identified as not being Year 2000 compliant was the control systems for the crushers and ADR plant at the Refugio mine site. A new control system has been purchased and should be functional by June 1999. In addition, the Company upgraded its financial reporting system at the corporate office in January 1999 and an upgrade is also scheduled for the mine site's reporting system by June 1999.

The Company has sent out formal communications to its major suppliers and service providers, equipment vendors and financial institutions, requesting information on Year 2000 compliance, but has not received replies from all the respondents. The Company believes that it is taking all the necessary steps to resolve the Year 2000 Issue, but still remains vulnerable to third party risks as the Company is not able to control third party Year 2000 efforts.

All critical applications are anticipated to be Year 2000 compliant by the end of 1999 and at a cost that is not expected to be significant.

OUTLOOK

As a result of the operational and capital improvements that have taken place to date at the Refugio Mine and the improved performance of the mine during the fourth quarter of 1998, the Company is confident that 1998 gold production will be surpassed in 1999. A revised mine plan was developed at the end of 1998 which includes the replacement of the tertiary crushers to heavier duty units and a change from contract mining to self-mining. These changes will allow the mine to operate more efficiently and provide for greater mining flexibility in 1999. The Company's 50% share of gold production at the Refugio Mine in 1999 is budgeted at 105,000 ounces at an operating cash cost of $240 per ounce.

As for the Aldebaran property, the Company's joint venture partner, Placer, announced at the end of 1998 an increase in the estimated geological resource of the Cerro Casale deposit to 21.7 million ounces of gold and 5.5 billion pounds of copper, a 2 million gold ounce increase over Bema's pre-feasibility estimate; as well, the deposit remains open. For 1999, Placer has budgeted $18 million towards completing the Cerro Casale final feasibility study and exploring satellite deposits on the Aldebaran property.

In a period in which gold prices are at a 20-year low and a weak gold equity market persists, the Company will continue to conserve its cash and maintain a healthy working capital. Notwithstanding this, management's goal is to continue to advance the Lo Increible property in Venezuela and the Julietta property in Russia because technical work to date indicates that both properties can be developed as low cost mines, profitable even at today's low gold prices. Consequently, the Company will focus its efforts in 1999 to begin the final feasibility study on the Lo Increible property and pursue project financing for the Julietta property.

Cautionary Note

Some of the statements contained in the annual report are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements.

Auditors' Report

To the Shareholders of Bema Gold Corporation

We have audited the consolidated balance sheets of Bema Gold Corporation as at December 31, 1998 and 1997 and the consolidated statements of operations and deficit and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and 1997 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended December 31, 1998, in accordance with generally accepted accounting principles in Canada.

PricewaterhouseCoopers LLP
Chartered Accountants

March 10, 1999
Vancouver, Canada

Consolidated Balance Sheets

as at December 31
(in thousands of United States dollars)

	1998	1997
Assets		
Current		
Cash	$ 13,504	$ 24,336
Accounts receivable	2,047	3,130
Notes receivable from associated companies *(Note 11)*	7,303	8,755
Inventories *(Note 3)*	6,858	11,115
Other	454	708
	30,166	48,044
Investments *(Note 4)*	30,561	31,966
Property, plant and equipment *(Note 5)*	131,419	127,533
Other assets *(Note 6)*	8,341	8,451
	$200,487	$215,994
Liabilities		
Current		
Accounts payable	$ 6,737	$ 8,883
Current portion of long-term debt *(Note 7)*	6,000	5,938
	12,737	14,821
Deferred revenue *(Notes 7 and 9)*	7,414	8,945
Long-term debt *(Note 7)*	20,000	25,754
Other liabilities	1,575	1,333
	41,726	50,853
Shareholders' Equity		
Capital stock *(Note 8)*		
Authorized 300,000,000 common shares with no par value		
Issued 122,898,999 common shares (1997 – 104,067,453)	239,690	199,943
Deficit	(80,929)	(34,802)
	158,761	165,141
	$200,487	$215,994

Commitments *(Note 9)*

Approved by the Board

Director

Director

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations and Deficit

for the years ended December 31
(in thousands of United States dollars, except shares and per share amounts)

	1998	*1997*	*1996*
Gold revenue	***$ 32,120***	$ 27,991	$ 10,808
Operating costs	***24,912***	22,376	6,603
Gross profit from mine operations	***7,208***	5,615	4,205
Expenses (Income)			
Depreciation and depletion	***6,711***	5,497	2,047
Mine royalty	***469***	642	378
General and administrative	***3,983***	3,516	3,269
Interest on long-term debt	***2,666***	2,188	851
Amortization of deferred financing costs	***1,300***	1,082	310
General exploration	***1,056***	1,120	380
Insurance proceeds	***(2,256)***	(738)	–
Other	***(77)***	217	(1,189)
	13,852	13,524	6,046
Loss before the undernoted items	***(6,644)***	(7,909)	(1,841)
Equity in losses of associated companies	***(1,069)***	(556)	(2,302)
Investment gains	–	2,594	1,493
Write-down of mineral properties *(Note 5)*	***(32,738)***	–	(49)
Write-down of inventory *(Note 3)*	***(3,634)***	–	–
Write-down of notes receivable *(Note 11)*	***(2,042)***	–	–
Loss for the year	***(46,127)***	(5,871)	(2,699)
Deficit, beginning of year	***(34,802)***	(27,768)	(23,377)
Imputed interest on equity component of convertible debentures	–	(1,163)	(1,692)
Deficit, end of year	***$(80,929)***	$(34,802)	$(27,768)
Loss per common share	***$ (0.40)***	$ (0.07)	$ (0.05)
Weighted average number of common shares outstanding *(in thousands)*	***114,679***	94,698	80,286

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

for the years ended December 31
(in thousands of United States dollars)

	1998	*1997*	*1996*
Operating activities			
Loss for the year	***$(46,127)***	$ (5,871)	$ (2,699)
Non-cash charges (credits)			
Depreciation and depletion	***6,711***	5,497	2,047
Amortization of deferred financing costs	***1,300***	1,082	310
Equity in losses of associated companies	***1,555***	2,213	3,333
Deferred revenue	***(1,531)***	8,945	–
Investment gains	–	(2,594)	(1,493)
Write-down of mineral properties	***32,738***	–	49
Write-down of inventory	***3,634***	–	–
Write-down of notes receivable	***2,042***	–	–
Other	***665***	25	(38)
Changes in non-cash working capital			
Accounts receivable	***1,685***	(1,017)	(1,142)
Inventories	***446***	(5,506)	(5,514)
Accounts payable	***(7,423)***	(741)	7,317
Cash from (to) operating activities	***(4,305)***	2,033	2,170
Financing activities			
Common shares issued *(Note 8)*	***39,747***	27,894	92,016
Subsidiary's shares issued	–	–	740
Debenture conversions	–	(22,667)	(10,333)
Convertible debentures interest payments	–	(1,692)	(2,078)
Joint venture partner loan (repayment)	–	(10,000)	2,000
Refugio loan proceeds	***308***	4,000	–
Refugio loan repayments	***(6,000)***	(4,250)	(4,250)
Gold loan monetization gain *(Note 7)*	–	(8,308)	–
Deferred financing costs	***(1,954)***	(1,776)	(238)
Other	***(123)***	1,054	1,088
Cash from (to) financing activities	***31,978***	(15,745)	78,945
Investing activities			
Acquisition of Arian Resources Corporation *(Note 2)*	***(19,398)***	–	–
Refugio mine	***(4,808)***	(6,706)	(14,193)
Julietta development and construction	***(6,170)***	–	–
Acquisition, exploration and development	***(7,220)***	(15,706)	(13,483)
Net proceeds from the Aldebaran transaction *(Note 5)*	–	4,698	–
Investment purchases in associated companies	***(152)***	(6,895)	(20,030)
Promissory notes issued by associated companies, net *(Note 11)*	***(590)***	(7,693)	(307)
Short-term investments	–	1,459	2,631
Proceeds on sale of investments	–	3,631	4,118
Other	***(167)***	(1,334)	310
Cash to investing activities	***(38,505)***	(28,546)	(40,954)
Increase (decrease) in cash	***(10,832)***	(42,258)	40,161
Cash, beginning of year	***24,336***	66,594	26,433
Cash, end of year	***$13,504***	$24,336	$66,594

See accompanying notes to consolidated financial statements.

1 Summary of significant accounting policies

The consolidated financial statements of Bema Gold Corporation ("Bema"), its subsidiary companies and joint ventures (collectively "the Company") are prepared in accordance with accounting principles generally accepted in Canada. As described in Note 15, these principles differ in certain material respects from accounting principles generally accepted in the United States.

These consolidated financial statements are expressed in United States dollars as the United States dollar is the principal currency of the Company's business. Certain of the prior years' comparative figures have been reclassified to conform with the presentation adopted for the current year.

Use of estimates
The preparation of these consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of consolidation
The consolidated financial statements include the accounts of Bema and its subsidiaries and a proportionate share of the assets, liabilities, revenues and expenses of joint ventures in which the Company has an interest. Joint ventures of the Company include: Compania Minera Maricunga ("CMM"), Compania Minera Aldebaran ("CMA"), Compania Minera Casale ("CMC") and Compania Minera San Damian ("San Damian"). Intercompany balances and transactions are eliminated on consolidation.

Cash
Cash includes all highly liquid money market instruments which have a maturity of three months or less.

Inventories
Gold doré inventories are valued at the lower of average production cost and net realizable value. In-process inventories are valued at the lower of moving average costs and net realizable value. Materials and supplies inventory is valued at the lower of average cost and current replacement cost.

Investments
Investments in companies over which the Company can exercise significant influence are accounted for using the equity method. The excess cost of these investments over the related underlying equity in the net assets of the investee companies at the time of purchase relate to specific mineral exploration properties. Investments are written down when there is a permanent decline in value.

Property, plant and equipment
Mine property, plant and equipment are recorded at cost. Repairs and maintenance expenditures are charged to operations; major improvements and replacements which extend the useful life of an asset are capitalized. Mine property, plant and machinery are amortized over the life of the mine by the unit-of-production method based on proven, probable and possible reserves. Mining equipment is depreciated on a straight-line basis, net of residual value, over the estimated useful life of the asset.

The cost of mineral properties includes direct exploration and development costs including administrative expenses and certain deferred charges that can be directly related to specific projects and pre-production net expenditures during mine development and construction.

Some of the Company's properties are in the exploration and development stage and have not yet attained commercial production. The ultimate realization of the value of properties in the exploration and development stage is dependent upon the successful development or sale of these properties.

Costs related to properties abandoned are written off when it is determined that the property has no continuing value.

Revenue recognition
Revenue is recorded at the estimated net realizable value when the gold is shipped. Adjustments to these amounts are made after final prices, weights and assays are established. The Company may fix the price it will receive for part or all of its production by entering into forward or option contracts.

Commodity instruments

The Company uses derivative financial instruments including forward and option contracts to manage its exposure to fluctuations in the market price of gold. These instruments are intended to reduce or eliminate the risk of falling prices on the Company's future gold production. Gains and losses on forward and option contracts are recognized in gold sales revenue when the related designated production is shipped.

Option premiums paid or received are deferred and recognized in gold sales revenue when the related hedging transactions occur.

When a contract is accounted for as a hedge, the cash flows of the contract are presented on the Consolidated Statements of Cash Flows in the same category as the cash flow of the position being hedged.

Deferred financing costs

Financing costs, incurred on issuance of debt, are deferred and charged against earnings over the term of the indebtedness except for those amounts capitalized to mineral properties.

Reclamation costs

A provision for estimated future reclamation and mine closure costs is provided for on a unit-of-production basis over the life of the operation. Costs related to ongoing programs are expensed when incurred.

Foreign currency translation

The accounts of subsidiaries and associated companies, not reporting in U.S. dollars, which are integrated operations, are translated into U.S. dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rates. Non-monetary assets and liabilities are translated using historical rates of exchange. Revenues and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings. Exchange gains and losses are included in income for the year. During mine development and construction, gains and losses arising on foreign currency translation are capitalized to property, plant and equipment accounts.

Gold loans

Gold loans are initially recorded at the gold price received on the draw down date and are revalued at the market price of gold prevailing at each balance sheet date. The unrealized gain or loss resulting from the mark-to-market revaluation is recorded as either a deferred revenue or a deferred charge and is included in gold sales revenue over the remaining term of the loan when the production originally designated as a hedge is sold.

Convertible debentures

The equity and financial liability components of convertible debt instruments are presented separately in accordance with their substance. The financial liability component is accreted by way of a charge to earnings and interest payments are applied against the accrued financial liability. Accretion of the equity component is recorded as a direct charge to deficit.

2 Business combination

Effective June 29, 1998, the Company acquired all of the issued and outstanding shares of Arian Resources Corporation ("Arian") in a business combination accounted for by the purchase method. As consideration for this acquisition, Bema issued 10,010,530 common shares having a fair value of $18,508,000. In addition, Bema has agreed to issue up to 339,204 of its common shares upon the exercise of outstanding Arian common share purchase warrants at a price of $3.63 per share until May 28, 1999. On July 2, 1998, as part of the business combination, Bema settled $1,667,000 of debts owed by Arian by issuing 776,016 common shares.

Arian's principal asset is its 79% interest in Omsukchansk Mining and Geological Company ("OMGC"), a Russian joint stock company which holds the licence ("Julietta licence") for the rights to explore, develop and mine the Julietta gold-silver deposit located in the Magadan region of the Russian Far East (Note 5).

The net assets acquired and consideration given were as follows:

Assets acquired	
Current assets	$ 575
Mineral property and deferred development	25,215
	25,790
Liabilities assumed	(6,392)
	$19,398
Consideration given	
Common shares	$18,508
Acquisition costs	890
	$19,398

3 Inventories

	1998	1997
Gold bullion	**$ 204**	$ 111
In-process inventories	**3,743**	7,315
Materials and supplies	**2,911**	3,689
	$6,858	$11,115

Based on a study completed by the Refugio Mine metallurgist during the third quarter of 1998, the Company's 50% share of the carrying value of the in-process inventories was written down by $3.6 million. The study concluded that while recoveries for the fine crushed ore remained consistent with feasibility study estimates, the recoveries of the run-of-mine and primary crushed ore placed on the heap pads in 1997 were lower than estimated.

4 Investments

	1998			1997		
	Carrying Value	Market	Ownership	Carrying Value	Market	Ownership
Equity:						
Arizona Star	**$18,364**	**$ 9,173**	**32%**	$18,459	$20,192	32%
El Callao Mining Corp.	**11,720**	**1,643**	**38%**	12,204	3,963	38%
Other	**477**	**852**		1,303	1,213	
	$30,561	**$11,668**		$31,966	$25,368	

In December 1997, Bema recorded a $1.3 million gain as a result of a share issue by Arizona Star Resource Corp. ("Arizona Star") relating to the Aldebaran property agreement (Note 5) which reduced Bema's interest from 33% to 32%.

5 Property, plant and equipment

	1998	1997
Refugio Mine		
Plant and equipment	**$ 62,448**	$ 58,011
Development	**39,563**	38,820
Accumulated depreciation, depletion and write-down	**(44,956)**	(8,659)
	57,055	88,172
Development properties		
Julietta	**31,385**	–
Aldebaran	**18,988**	18,352
Yarnell	**9,483**	8,372
Other	–	2,738
	59,856	29,462
Exploration properties	**13,190**	8,412
Office furniture and equipment	**2,027**	1,950
Accumulated depreciation	**(709)**	(463)
	1,318	1,487
	$131,419	$127,533

The Company performs evaluations to assess the carrying value of its mineral properties on an ongoing basis. Through this process, the Company determined that the carrying value of the Refugio Mine had been impaired due to the significant decline in gold prices. Based on management's view of the long-term price of gold and estimated future net cash flows, the carrying value of the Refugio Mine was written down by $30 million in 1998. In addition, the Buffalo Gulch property, previously written down to an amount determined to be recoverable under a net smelter royalty agreement, was written off to the extent of its remaining carrying value of $2.7 million.

On October 26, 1997, Bema and Arizona Star entered into an agreement with Placer Dome Inc. ("Placer") allowing Placer to acquire a 51% interest in the Aldebaran property which consists of the Cerro Casale deposit and the adjacent property previously referred to as Yeguas Heladas. The Aldebaran property is currently owned 49% by Bema and 51% by Arizona Star. Under the terms of the agreement, Placer will:

(i) pay $10 million cash; $4.9 million to Bema and $5.1 million to Arizona Star (completed);

(ii) subscribe by way of private placement for $10 million of common shares consisting of 907,807 shares of Bema at Cdn.$7.50 per share and 1,142,976 shares of Arizona Star at Cdn.$6.20 per share (completed);

(iii) undertake a $15 million exploration programme and complete a feasibility study at an estimated cost of $25 million by January 28, 2000;

(iv) decide whether to proceed to construction after completion of the feasibility study, and, if so:

- arrange up to $1.3 billion of financing for mine construction;
- invest $200 million of equity in the project on behalf of all the partners;
- arrange senior project financing for at least 50% of the capital cost and provide a completion guarantee of up to $1.1 billion in respect thereof;
- provide subordinated debt to the extent that the senior project financing is less than $1.1 billion; and
- commence construction of the mine.

(v) if upon completion of the feasibility study the project is unfinanceable due to a weak metal market, the agreement allows for a delay in the commencement of construction until the project becomes financeable.

Upon completing the above terms, Placer will own 51% of the Aldebaran property with Bema and Arizona Star each owning 24% and 25% respectively.

As with many Russian mineral properties affected by the transitory and uncertain nature of the Russian legal system, there are certain irregularities affecting the Julietta licence which may adversely affect OMGC's interest in the Julietta licence area. OMGC has taken, and will continue to take all available steps to protect its interest in the Julietta licence area. Based on the documented support of all levels of the Russian government, including the recent extension of certain conditions of the Julietta licence, management believes that it is unlikely that OMGC's interest in the licence area will be negatively impacted.

6 Other assets

	1998	1997
Deferred financing costs, net of amortization	**$5,794**	$5,140
Refundable Chilean value added tax	**2,406**	2,419
Deferred charges	–	498
Other	**141**	394
	$8,341	$8,451

7 Long-term debt

	1998	1997
Refugio loan	**$24,000**	$29,692
Joint venture partner loan	**2,000**	2,000
	26,000	31,692
Less: Current portion		
Refugio loan	**6,000**	5,938
	$20,000	$25,754

Refugio loan

On December 24, 1997, the Company entered into a credit facility with Barclays Bank PLC ("Barclays") in which Barclays assumed the outstanding balance of the Refugio gold loan from a syndicate of five banks. The Company then converted its portion of the original gold loan of $34 million to a dollar loan of $25.7 million. The $8.3 million gain realized on conversion will be included in gold sales revenue over the remaining term of the loan when gold production originally designated as a hedge is sold. The Barclays credit facility allows for an additional $14.3 million to be borrowed, of which $4 million was drawn down in 1997 and $308,000 in 1998.

The interest rate on the Barclays facility is the London Inter Bank Offered Rate ("LIBOR") plus a 1.75% margin. If converted to a gold loan, the interest rate would be LIBOR minus the Gold Offered Forward Rate plus a margin of 1.75%. Repayment of the facility is to be made in ten equal semi-annual instalments with the first payment being made on June 30, 1998. Bema is to provide payment support to CMM until such time that the Refugio Mine's crushing plant achieves an average throughput of 30,000 tonnes per day for 60 consecutive days and is in compliance with loan coverage ratio requirements, after which the loan becomes a non-recourse project loan.

During 1996, prior to commercial production, long-term debt interest totalling $2,186,000 was capitalized to the Refugio Mine development costs.

Joint venture partner loan

In 1996, Bema Gold (Bermuda) Ltd. was advanced $2 million from the CMM joint venture partner which is repayable from future cash distributions by CMM and bears interest at LIBOR plus 2%.

8 Capital stock

	1998		1997		1996	
	Shares	**Amount**	*Shares*	*Amount*	*Shares*	*Amount*
Balance, beginning of year	***104,067,453***	***$199,943***	91,244,093	$172,049	70,358,421	$ 80,033
Issued during year						
For cash, net of costs	***8,000,000***	***19,509***	907,807	4,900	11,000,000	71,048
On Arian acquisition and debt settlement *(Note 2)*	***10,786,546***	***20,175***	–	–	–	–
On conversion of debentures, net of costs	–	–	11,061,553	21,007	5,040,481	9,592
For cash on exercise of warrants	–	–	–	–	2,012,500	4,770
For cash on exercise of stock options	***45,000***	***63***	834,000	1,961	1,925,250	2,906
For properties	–	–	20,000	26	907,441	3,700
Balance, end of year	***122,898,999***	***$239,690***	104,067,453	$199,943	91,244,093	$172,049

The shareholders have adopted a shareholder protection rights plan, creating the potential for substantial dilution of an acquirer's position. The plan has a five-year term and expires on April 19, 2000.

At December 31, 1998, Bema had outstanding directors' and employees' stock options for a total of 4,773,750 shares. These options are exercisable at prices ranging from Cdn.$2.07 to Cdn.$10.75 per share and expire on various dates from June 25, 1999 to June 9, 2002.

On October 3, 1997, the Company exercised its option to redeem the remaining outstanding convertible debentures, totaling $22.4 million of an original $33 million issue, by issuing 10,949,746 shares at a conversion price of $2.05 per share.

9 Gold and interest rate commitments

At December 31, 1998, the Company's hedging program consists of the following gold contracts:

	1999	*2000*	*2001*
Spot deferred contracts (ounces)	12,500	50,000	1,000
Average price per ounce	$373	$322	$334
Put options purchased (ounces)	84,000	23,500	–
Average price per ounce	$375	$318	$ –
Put options sold (ounces)	109,500	65,500	10,000
Average price per ounce	$296	$305	$320
Call options purchased (ounces)	8,000	55,000	10,000
Average price per ounce	$334	$328	$370
Call options sold (ounces)	115,250	10,000	–
Average price per ounce	$383	$390	$ –
Floating index forward contract (ounces)	–	15,000	5,000
Average price per ounce	$ –	$372	$372

The floating index forward contract is based on a floating lease rate of 2.00%. This contract also has a contingency option which, after the year 2000, gives the counterparty the right to buy from the Company up to 5,000 ounces of gold per quarter at $372 per ounce, expiring on January 16, 2004 or earlier should the spot price of gold be below $325.

Call options purchased have been matched with spot deferred and forward contracts sold having similar maturity dates and strike prices. The practice of purchasing call options and matching them with spot deferred contracts provides the same effect as purchasing put options. The sale of options is a practice commonly used by gold companies to offset the cost of purchasing options or to enhance the value of a forward contract by adding the premium received from the option sold to the forward contract price. The sale of put options could limit the Company's ultimate hedging gain should the spot gold price on the expiry date be below the strike price.

The Company has entered into an interest rate protection agreement that hedges, on a declining balance basis, 80% of the Refugio loan principal amount over the term of the loan. The hedge consists of a fixed LIBOR of 6.03% on 40% of the loan principal ($9.6 million at

December 31, 1998) and an interest rate collar on the other 40%. The interest rate collar sets a minimum LIBOR of 5.63% and a maximum rate of 6.5%. If at each three-month renewal date the LIBOR falls between the minimum and maximum rates, then the rate on the renewal date is used.

10 Fair value of financial instruments

At December 31, 1998 and 1997, the fair values of the Company's financial instruments approximate carrying values because of the short-term or floating rate nature of these instruments, except as noted below.

	1998		1997	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Gold forward and option contracts	$366	$8,079	$498	$12,296
Interest rate swap contracts	–	(319)	–	–

Year-end quoted market prices for specific or similar instruments were used to estimate the fair value of each class of financial instruments for which it was practicable to estimate fair value. For gold forward and option contracts, the fair value was calculated using the spot and forward prices and volatilities as at December 31, 1998. For interest rate swap contracts, the fair value was determined using market interest rates as at December 31, 1998.

Financial instruments which subject the Company to market risk and credit risk consist primarily of cash and short-term investments, and spot deferred and option contracts for gold.

The Company places its cash and short-term investments in high quality securities issued by government agencies, financial institutions and major corporations and limits the amount of credit exposure by diversifying its holdings.

The Company's exposure to credit risk in the event of non-performance by counterparties in connection with its gold forward and option contracts is limited to the unrealized gains on outstanding contracts based on current market prices. The Company believes it has minimized credit risk by monitoring the financial condition of its counterparties and dealing with large, credit worthy institutions.

11 Related party transactions

In addition to transactions disclosed elsewhere in these financial statements, the Company:

- provided management services, and evaluation and assessment work on resource properties to associated companies managed by Bema totalling $588,000 in 1998 (1997 - $1,766,000; 1996 - $1,058,000). At December 31, 1998, the Company had an accounts receivable and notes receivable balance of $7.4 million (1997 - $8.9 million) due from these companies after recording a provision of $2 million for amounts determined to be uncollectible. The notes receivable are advances, including accrued interest, which are due on demand and bear interest at the Company's bank's prime lending rate plus 2%.
- was billed in 1998 by entities related to directors of Bema for legal and consulting services totalling $851,000 (1997 - $261,000; 1996 - $106,000) and for financial consulting services totalling $252,000 (1997 - $405,000; 1996 - $59,000). As at December 31, 1998, the Company had an accounts payable balance of $36,000 (1997 - $226,000) to these entities.

12 Income taxes

Non-capital loss carry-forwards for Canadian tax purposes of $10,962,000 expire in the following years unless utilized: 1999 - $1,045,000, 2000 - $12,000, 2001 - $887,000, 2002 - $3,148,000, 2003 - $3,106,000, 2004 - $625,000 and 2005 - $2,139,000. The Company's portion of accumulated tax loss carry-forwards in Chile approximates $75 million at December 31, 1998. For U.S. income tax purposes, loss carry-forwards of $18 million commence to expire in 2000 to 2018 unless utilized. The benefits of these amounts have not been reflected in these consolidated financial statements.

13 *Incorporated joint ventures*

The Company has included in its accounts the following aggregate amounts in respect of Compania Minera Maricunga (50%), Compania Minera Aldebaran (49%), Compania Minera Casale (24%) and Compania Minera San Damian (50%) which are incorporated joint ventures:

	1998	*1997*
BALANCE SHEETS		
Current assets	***$9,427***	$18,250
Property, plant and equipment	***66,211***	96,747
Other assets	***5,475***	3,579
Current liabilities	***9,801***	12,658
Deferred revenue	***7,414***	8,308
Long-term debt	***18,000***	23,754
Other liabilities	***885***	606

	1998	*1997*	*1996*
STATEMENTS OF OPERATIONS			
Gross profit from mine operations	***$7,208***	$2,097	$4,116
Write-down of Refugio Mine and inventory	***(33,634)***	–	–
Net income (loss) for the year	***(34,542)***	(5,697)	1,085
STATEMENTS OF CASH FLOWS			
Operating activities	***3,527***	561	(1,429)
Financing activities	***(7,262)***	(8,627)	(4,250)
Investing activities	***(6,034)***	(12,809)	(21,820)

14 *Segmented information*

In 1998, the Company adopted the Canadian Institute of Chartered Accountants handbook section 1701, “Segment Disclosures”, which supersedes section 1700, “Segmented Information”. The prior years’ segmented information has been restated to present the Company’s two reportable segments – Gold and Exploration and development.

The tables below present information about reported segments for the years ending December 31:

	Net loss			*Assets*	
	1998	*1997*	*1996*	***1998***	*1997*
Gold	***$(35,237)***	$(2,875)	$ 876	***$ 72,219***	$107,488
Exploration and development	***(3,794)***	(1,120)	(429)	***75,844***	41,045
Unallocated corporate					
Cash	–	–	–	***12,575***	24,248
Notes receivable and investments	–	–	–	***37,864***	40,721
General and administrative	***(3,983)***	(3,516)	(3,269)	–	–
Investment and equity	***(1,069)***	2,038	(809)	–	–
Write-down of notes receivable	***(2,042)***	–	–	–	–
Other	***(2)***	(398)	932	***1,985***	2,492
Total	***$(46,127)***	$(5,871)	$(2,699)	***$200,487***	$215,994

	Capital expenditures		
	1998	*1997*	*1996*
Gold	***$ 4,808***	$ 6,706	$14,193
Exploration and development	***13,295***	14,414	13,433
Unallocated corporate	***95***	1,292	50
Total	***$18,198***	$22,412	$27,676

The Company has a 50% interest in one producing mine, the Refugio Mine, located in Chile from which all operating revenues are attributable to. All revenues, other than hedge gains of $8 million in 1998, $4.1 million in 1997, and $206,000 in 1996, were derived from one bullion dealer on which the Company was not economically dependent as alternative markets for the sale of gold are readily available.

The Company’s capital assets are located in the following geographical locations:

	Capital assets	
	1998	*1997*
Canada	***$ 1,560***	$ 1,878
Chile	***85,877***	111,457
Russia	***31,385***	–
United States	***12,597***	14,198
	$131,419	$127,533

15 *Differences between Canadian and U.S. generally accepted accounting principles*

The consolidated financial statements of the Company have been prepared according to Canadian generally accepted accounting principles ("Canadian GAAP") which differ in certain material respects from accounting principles generally accepted in the United States ("U.S. GAAP"). Material differences between Canadian and U.S. GAAP and their effect on the Company's consolidated financial statements are summarized in the tables below.

In 1998, the Company retroactively adopted International Accounting Standard 22, "Business Combinations", which is consistent with Canadian GAAP and acceptable under rules promulgated by the SEC with respect to accounting for business combinations. The adoption of this standard has had no effect on the comparative Consolidated Statements of Operations presented below but has had the effect of increasing the comparative amounts of shareholders' equity and property, plant and equipment under U.S. GAAP by $2,715,000.

	1998	*1997*	*1996*
CONSOLIDATED STATEMENTS OF OPERATIONS			
Loss for year			
Canadian GAAP	***$(46,127)***	$ (5,871)	$(2,699)
Change in reporting currency (i)	–	–	(22)
Convertible debentures (ii)	–	(1,192)	(1,238)
Depreciation and depletion (iii)	***(1,917)***	(1,374)	(383)
Investment gains (losses) (iv)	–	(1,334)	(76)
Foreign exchange (v)	***(418)***	(224)	(137)
Stock option plan (vi)	–	(43)	(312)
Write-down of Refugio Mine (viii)	***(14,000)***	–	–
U.S. GAAP	***$(62,462)***	$(10,038)	$(4,867)
Loss per common share - U.S. GAAP			
Basic and fully diluted	***$ (0.54)***	$ (0.11)	$ (0.06)

Under U.S. GAAP, the Company's comprehensive loss is the same as its reported net loss and the inventory write-down in 1998 would be disclosed as an operating cost.

	1998	*1997*
CONSOLIDATED BALANCE SHEETS		
Shareholders' equity		
Canadian GAAP	***$158,761***	$165,141
Change in reporting currency (i)	***2,719***	2,719
Convertible debentures (ii)	***3,124***	3,124
Depreciation and depletion (iii)	***(3,674)***	(1,757)
Investment gains (losses) (iv)	***332***	332
Foreign exchange (v)	***(1,400)***	(980)
Stock option plan (vi)	***755***	755
Write-down of Refugio Mine (viii)	***(14,000)***	–
U.S. GAAP	***$146,617***	$169,334

	1998		*1997*	
	Canadian GAAP	***U.S. GAAP***	*Canadian GAAP*	*U.S. GAAP*
Property, plant and equipment (i)(ii)(iii)(viii)	***$131,419***	***$119,338***	$127,533	$131,369

(i) Change in reporting currency

Effective January 1, 1996, the Company changed its reporting currency from Canadian dollars to United States dollars. U.S. GAAP requires that where a change in reporting currency has been made, the financial statements of periods prior to the change are to be comprehensively recast as if the new currency had been used. The prior years' financial statements would be translated to the new reporting currency using the relevant bases and rates for the respective years. Under Canadian GAAP, comparative figures are presented using a translation of convenience.

(ii) Convertible debentures

Under U.S. GAAP, convertible debt instruments are classified as debt until converted to equity, whereas under Canadian GAAP, the long-term debt and equity components are determined and shown separately and any interest related to the equity component is charged directly to deficit.

(iii) Depreciation and depletion

Under U.S. GAAP and SEC regulations, depreciation and depletion calculated on the unit-of-production basis are based on proven and probable reserves, whereas under Canadian GAAP, proven, probable and possible reserves may be used.

(iv) Long-term investments

Under U.S. GAAP, the gain or loss resulting from shares issued by a subsidiary is treated as additional paid-in capital, while under Canadian GAAP the gain or loss is reflected in earnings.

(v) Exchange on long-term monetary items

U.S. GAAP requires unrealized exchange gains or losses on long-term monetary items with fixed or ascertainable lives to be included in income as they arise, whereas under Canadian GAAP such items are deferred and amortized over the remaining life of the related item.

(vi) Stock option plan

U.S. GAAP requires the difference between the market price of the stock at the date of grant and the exercise price of the stock option to be expensed as compensation cost over the period between the date of granting the option and the date it is first exercisable. Under Canadian GAAP, stock options are accounted for as an issue of share capital when the option is exercised.

(vii) Incorporated joint ventures

U.S. GAAP requires investments in incorporated joint ventures to be accounted for under the equity method, while under Canadian GAAP, the accounts of incorporated joint ventures are proportionately consolidated. However, under rules promulgated by the SEC, a foreign registrant may, subject to the provision of additional information, continue to follow proportionate consolidation for purposes of registration and other filings notwithstanding the departure from U.S. GAAP. Consequently, the consolidated balance sheets have not been adjusted to restate the accounting for joint ventures under U.S. GAAP. Additional information concerning the Company's interests in joint ventures is presented in Note 13.

(viii) Accounting for the impairment of long-lived assets

The principal difference between U.S. and Canadian GAAP with respect to the determination of the fair value of a long-lived asset that has been impaired, is the requirement under U.S. GAAP to discount the future net cash flows of the asset at an appropriate interest rate.

Supplementary information of the Company's cash flow is provided below. Under U.S. GAAP, the non-cash investing and financing activities would be excluded from the Consolidated Statements of Cash Flows.

	1998	*1997*	*1996*
Interest received	***$1,050***	$1,562	$1,499
Interest paid (net of amount capitalized)	***2,570***	3,679	2,596
Non-cash investing and financing activities			
Depreciation and amortization capitalized	–	–	1,732
Common shares issued for properties	–	26	3,700
Common shares issued on conversion of debentures	–	22,667	10,333
Common shares issued on Arian acquisition	***18,508***	–	–
Common shares issued for accounts payable (Arian debt settlement)	***1,667***	–	–

16 *Year 2000 Issue*

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

CORPORATE DIRECTORY

Board of Directors: (left to right:)
Roger Richer, Stuart Angus, Cole McFarland, Clive Johnson, Neil Woodyer, Tom Allen, Eulogio Perez-Cotapos, Barry Rayment (missing from photo, Erwin Haas)

DIRECTORS:

Thomas I.A. Allen, Q.C.
Toronto, Canada
Senior Partner, Ogilvy Renault
Appointed to Board - 1998

R. Stuart Angus
Vancouver, Canada
Partner, Stikeman Elliott
Appointed to Board – 1992

Erwin J. Haas
Zurich, Switzerland
Principal, EH&P Investments AG
Appointed to Board - 1988

Clive T. Johnson
Vancouver, Canada
Chairman, CEO and President,
Bema Gold Corporation
Appointed to Board - 1988

Cole McFarland
Stanwood, USA
(retired) former President,
Placer Dome U.S.
Appointed to Board - 1998

Eulogio Perez-Cotapos G.
Santiago, Chile
Senior Partner, Cariola Diez
Perez-Cotapos & Cia. Ltda.
Appointed to Board – 1997

Barry D. Rayment
Scottsdale, Arizona
President, Mining Assets
Corporation
Appointed to Board - 1988

Roger Richer
Vancouver, Canada
Corporate Secretary and General
Counsel, Vice President,
Administration,
Bema Gold Corporation
Appointed to Board - 1997

Neil Woodyer
Vancouver, Canada
Managing Director,
Endeavour Financial Corporation
Appointed to Board - 1990

OFFICERS:

Clive T. Johnson
Chairman, President and
Chief Executive Officer

Mark A. Corra
Vice President Finance

Tom Garagan
Vice President Exploration

Roger Richer
Corporate Secretary and
General Counsel
Vice President Administration

Dennis Stansbury
Vice President Development
and Production

Ken Booth
Vice President Corporate Development
and Communications

CORPORATE OFFICE

Suite 3113 Three Bentall Centre
595 Burrard Street
P.O. Box 49113
Vancouver, British Columbia
Canada V7X 1G4
Tel: (604) 681-8371
Fax: (604) 681-6209
Website: http://www.bema.com

AUDITORS

PricewaterhouseCoopers
1111 West Hastings Street
Vancouver, British Columbia
Canada V6E 3R2

TRANSFER AGENT

Montreal Trust Company
510 Burrard Street
Vancouver, British Columbia
Canada V6V 3B9

SHARES LISTED

The Toronto Stock Exchange
American Stock Exchange
Vancouver Stock Exchange
Symbol: BGO

Annual General Meeting of Shareholders

The Company's Annual General Meeting of Shareholders will be held at 2:30 p.m. on Wednesday, June 9th, 1999 at The Pan Pacific Hotel, 999 Canada Place, Vancouver, British Columbia

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